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# Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 PM-03 NSC-05 CIAE-00 DODE-00 INR-07

NSAE-00 PA-01 USIA-06 PRS-01 SP-02 EB-07 COME-00

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INFO AMEMBASSY BONN
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USMISSION EC BRUSS
AS
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
C O N F I D E N T I A L COPENHAGEN 0871

E.O. 11652: GDS
TAGS: PINT EGEN DA
SUBJ: GOVERNMENT STEERS BUDGET BILL THROUGH PARLIAMENT

: COPENHAGEN 0709

SUMMARY: IN A MARATHON SESSION MARCH 21 PARLIAMENT
ADOPTED THE CONTROVERSIAL BUDGET BILL FOR FISCAL
YEAR 1975 BY A FINAL VOTE OF 131 TO 35. (COMMUNISTS,
LEFT SOCIALISTS AND PROGRESS).
ORIGINALLY DRAFTED BY POUL HARTLING'S
LIBERAL GOVERNMENT, THE BUDGET BILL WAS AMENDED BY THE
PRESENT SOCIAL DEMOCRATIC GOVERNMENT IN LINE WITH ITS EFFORTS TO REFL
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DANISH ECONOMY. SHARP REDUCTIONS IN SOCIAL WELFARE

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PROGRAMS WHICH HAD BEEN PROPOSED BY THE LIBERAL GOVERN-
MENT WERE SOFTENDED AND AN ADDITIONAL ONE BILLION DANISH
KRONER ($182 MILLION) WAS ADDED IN THE FORM OF A SPECIAL
EMPLOYMENT PROGRAM. THOUGH THE LIBERALS AND PROGRESSIVES
EXPECTED A GOVERNMENT CRISIS, THE
GOVERNMENT WAS ABLE TO FIND SIFFUCIENT SUPPORT FROM OTHER
PARTIES FOR THE BULK OF ITS PROPOSED HANGES AND THUS
MANEUVERED SUCCESSFULLY THROUGH THE SECOND MAJOR CHALLENGE
IN ITS FIVE-WEEK EXISTENCE. END SUMMARY.

1. THE NEW SOCIAL DEMOCRATIC GOVERMENT INHERITED A
BUDGET BILL CAREFULLY DESIGNED BY THE LIBERAL FNANCE
MINISTER ANDERS ANDERSEN TO REFLECT THE PREVIOUS GOVERNN-
MENT'S EMPHASIS ON SHARP REDUCTIONS IN THE COST OF
SOCIAL WELFARE PROGRAMS, PARTICULARLY IN THE AREA OF
CHILDREN'S SUBSIDIES AND EDUCATIONAL LOANS AND GRANTS.
THE STRINGENT BUDGET BILL WAS DEFENDED BY THE LIBERALS
AS NECESSARY TO OFFSET THE SEVEN BILLION DKR (US$1.3
BILLION) TAX REDUCTION WHICH IT HAD ENACTED LAST
FALL.

2. SINCE THE CONSTITUTION REQUIRES ENACTMENT OF THE
BUDGET BILL BEFORE THE FISCAL YEAR BEGINS APRIL 1, THE
INCOMING SOCIAL DEMOCRATIC GOVERNMENT WAS FORCED TO
ACCEPT A LARGE PART THE LIBERAL DRAFT. THE NEW GOVT,
HOWEVER, AMENDED THE BILL BY REDUCING THE DEPTH OF
THE PLANNED REDUCTIONS IN SEVERAL IMPORTANT SOCIAL
WELFARE PROGRAMS AND INCREASING ITS REFLATIONARY EFFECT
BY A NON-SPECIFIC RE-EMPLOYMENT PROGRAM COSTING ONE
BILLION DKR (US$182 MILLION). IN SUM, THE SOCIAL
DEMOCRATIC AMENDMENTS INCREASED THE PROPOSED DEFICIT
IN THE OPERATING BUDGET FRM APPROXIMATELY FIVE
BILLION DKR (US$900 MILLION) TO 6.9 BILLION DKR
(US$1.25 BILLION).

3. IN A SEVEN HOUR SESSION MARCH 21 THE PARLIAMENT
ADOPTED THE BILL WITH SHIFTING MAJORITIES IN SOME
160 INDIVIDUAL VOES. IN THE END A BUDGET OF
67.8 BILLION DKR (US$12.3 BILLION) WAS ADOPTED, WITH
A DEFICIT SOMEWHAT SMALLER THAN DESIRED BY THE SOCIAL
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DEMOCRATS, 5.8 BILLION DKR (US$1.1 BILLION).
(ALL DANISH FIGURES HEREAFTER GIVEN ONLY IN US DOLLARS
AT CONVERSION RATE $1.00 EQUALS 5.5 DKR.)

4. THE MOST CRITICAL VOTE WAS THAT ON CHILDREN'S
SUBSIDIES. THE ORIGINAL LIBERAL DRAFT HAD PROPOSED
A SAVINGS OF 176 MILLION DOLLARS BY REDUCING THE
AMOUNT OF THE SUBSIDY PROPORTIONATELY FOR FAMILIES

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WITH INCOMES OVER 7,300 DOLLARS, ELIMINATING THE SUBSIDIES FOR 17 - AND 18 YEAR OLDS, AND BY PROVIDING ONLY 50 PERCENT, RAHTER THAN 100 PERCENT COST-OF-LIVING INDEXATION. THE SOCIAL DEMOCRATIC PROPOSAL REDUCED THIS SAVING TO A MERE 38 MILLION DOLLARS BY REDUCING THE BENFIT PROPROTINATELY ONLY FOR FAMILIIES WITH INCOMES OVER 16,300 DOLLARS AND BY RETAINING THE BENFIT FOR 17 AND 18 YEAR OLDS.

5. THE SOCIAL DEMOCRATIC PROPOSAL WAS ADOPTED BY A VOTE OF 87 (SOCIAL DEMOCRATS, RADICALS, SOCIALIST PEOPLES, COMMUNISTS AND CENTER DEMOCRATS) TO 75 (LIBERALS, PROGRESSIVES AND CONSERVATIVES) WITH 14 ABSTENTIONS (LEFT SOCIALISTS AND CHRISTIAN PEOPLES). ALTHOUGH THE GOVERNMENT DID NOT SPECIFIC-ALLY MAKE THIS A CABINET ISSUE, IT WOULD PROBABLY HAVE RESIGNED IF ITS VERSION WAS NOT ADOPTED. ALTHOUGH THE ABSTENTION OF THE CHRISTIAN PEOPLE'S PARTY (9 SEATS) WAS AN UNEPXECTED LAST-MINUTE SHIFT (THEY WERE EXPECTED TO VOTE AGAINST), PRIME MIN JORGENSEN HAD OBTAINED ASSURANCE IN ADVANCE THAT THE LEFT SOCIALISTS WOULD ABSTAIN, THUS PROVIDING A 3-VOTE PLURALITY OVER THE LIBERAL AND PROGRESSIVE CHALLENGE ON THIS FUNDAMENTAL ISSUE.

6. THE GOVERNMENT ALSO SECURED APPROXIMATELY 125 MILLION DOLLARS OF ITS PROPOSED 182 MILLIN-DOLLAR EMPLOYMENT STIMULATING PROGRAM. THIS INCLUDES A 90 MILLION DOLLAR RESERVE FOR PUBLIC WORKS PROJECTS AND A 35 MILLION DOLLAR FUND FOR DIRECT GOVERNMENT SUBSIDIES TO THREATENED BUSINESSES.

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7. ON THE OTHER HAND, THE GOVERNMENT HAD TO ACCEPT DEEPER CUTS IN THE EDUCATIONAL SUPPORT AREA THAN IT HAD DESIRED. IT WAS ALSO FORCED TO ACCEPT AN IN-CREASED TAX OF FIVE ORE PER KWH ON PRIVATE ELECTRICITY CONSUMPTION AND THE CONTINUATION OF THE EXCISE TAX IMPOSED LAST YEAR ON CONSUMER APPLICANCES. MOREOVER, ITS OWN PROPOSAL FOR A THREE-KRONER PER KILOGRAM SUGAR TAX (INTENDED TO RAISE 47 MILLION DOLLARS) WAS DEFEATED.

8. MOGENS GLISTRUP'S PROGRESS PARTY HAD SUBMITTED NEARLY 400 AMENDEMENTS INCTENDED TO REDUCE DRASTICALLY THE PROPOSED BUDGET. ALTHOUGH THE CONSERVATIVES VOTED FOR A VERY FEW OF THESE PROPOSALS, THEY RECEIVED NO OTHER PARTY'S SUPPORT, PROVIDING AN IGNOMINIOUS END TO GLISTRUP'S PREDICTIONS OF AN APRIL ELECTION.

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9. COMMENT: HAVING RESOLVED THE NATIONAL WAGE NEGOTIATION DEADLOCK BY IMPOSING A STATUTORY WAGE CONTRACT, THE ANKER JORGENSEN GOVERNMENT SURVIVED THE FIRST OF ITS MAJOR HURDLES THIS SPRING (REFTEL). BY SKILLFULLY MANEUVERING THE BUDGET BILL THROUGH PARLIAMENT, IT HAS OVERCOME THE SECOND MAJOR THREAT TO ITS CONTINUED EXISTENCE. ALTHOUGH SPECIFIC ACTS OF LEGISLATION WILL BE REQUIRED FOR MOST OF THE GOVERNMENT'S PROPOSALS, AND THESE MAY CAUSE SOME PROBLEMS IN PARLIAMENT, THE SOCIAL DEMOCRATS HAVE NOW OBTAINED THE BASIC PARAMETER FOR THEIR PROGRAM FOR THE COMING FISCAL YEAR.
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# Message Attributes

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